

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1370-02  
Bill No.: HCS for HB 488  
Subject: Community Enhancement District and Tourism Sales Tax  
Type: Original  
Date: March 8, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$135,647) to Unknown	(\$89,162) to Unknown	(\$91,424) to Unknown
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>(\$135,647) to Unknown</b>	<b>(\$89,162) to Unknown</b>	<b>(\$91,424) to Unknown</b>

**\*Revenues from 1% collection fee would defray costs and could result in a net positive impact.**

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\*Revenues and costs net to \$0.**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

## FISCAL ANALYSIS

### ASSUMPTION

SECTIONS: 67.1950 -67.1977:

#### **Tourism Community Enhancement District :**

**Department of Economic Development** officials assume no fiscal impact to their department.

**Department of Revenue (DOR)** officials stated the DOR's Mainframe sales tax system (MITS) would be able to handle the collections for the district, however, Section 67.1959 of this proposal creates an item tax situation within the district with the exemption of the sales of funeral services within the tourism district. This would require the tax to be collected for the funeral services for state/locals but not for the tourism district sales tax. MITS would need to be modified to all for the creation of items tax. Some current single location accounts would have to report for two locations and in addition, some current two location vouchers filers would now be forced to file a long return. This would generate additional errors and additional key entry. DOR would need one Tax Processing Tech I for every 34,000 errors generated and one Data Entry Operator for every 170,000 returns impacted. Officials estimate costs for 2.0 FTE, with fringe benefits, equipment and expense for FY 2002 (\$79,566) , FY 2003 (\$62,323), and in FY 2004 (\$63,903). These estimates include \$13,027 for 381 hours of Programming costs and State Data Center Costs of \$2,478. If the Tourism Community Enhancement District Board elects to have the DOR collect the sales tax there would be income to the State's General Revenue Fund generated from the 1% collection fee as provided for. The amount of income from the 1% collection fee cannot be estimated and is unknown, and if the DOR would collect the sales tax is also unknown.

**Department of Revenue** officials assume if a sales tax were adopted by any of the counties pursuant to Sections 67.1922 - 67.1940, they would need to update rate tables and distribution on the MITS system. Officials estimate costs of upgrades for 727 hours of programming at \$24,569, and State Data Center implementation costs at \$4,730 for a total one-time cost of (\$29,299).

The total cost to DOR should the locals elect to have DOR to collect both sales tax is estimated as follows: for 10 months of FY 2002 (\$135,647); FY 2003 (\$89,162); and FY 2003 (\$91,424).

### ASSUMPTION (continued)

Section 67.1965 of this proposal would allow the district board to enter into an agreement with the County Collector of the county where the majority of the area of the district is situated or with the City Collector of the largest city within the district for sales tax collection.

**Oversight will prepare this fiscal note as though the voters established both sales taxes and the DOR would be collecting both taxes.**

Officials of the **Department of Elementary and Secondary Education (DESE)** stated that this proposal would have no fiscal impact to their department. Officials stated that Section 67.1968.1(1) requires that ten percent of the revenues generated from the tourism tax be distributed to the school districts within the tourism district based on the revenue collected within each school district. This new revenue would not be a deduction in the state aid formula as defined in Section 163.031, RSMo. The amount of revenue any school district would receive is unknown as it depends on, 1) creation of a Tourism Community Enhancement District; 2) the amount of sales tax approved by voters; and 3) amount of sales within a school district's boundaries.

**Oversight** assumes that Section 67.1968.2 of this proposal requires that ten percent of the sales tax collected be used for either senior citizen, youth or community enhancement purposes within the district. The board would distribute these funds to the cities within the district based upon the amount of sales tax collected within each city. Section 67.1986.3 requires that seventy-five percent of the revenue is to be used by the Tourism Board for marketing, advertising, and promotion of tourism.

SECTIONS: 67.1922 - 67.1940:

**Certain Counties: Tourism, Economic Development, Sales Tax :**

The **Department of Economic Development, the Department of Transportation,** assume no fiscal impact.

**Stone County** officials assume there would be no fiscal impact unless voters would approve the sales tax. Officials stated there would be some savings in costs associated with water quality meeting

ASSUMPTION (continued)

**Oversight** assumes this substitute does not mandate that local governments initiate the provisions in this proposal. However, if an eligible county would receive voter approval to create either a tourism sales tax or a Community Enhancement District, then governmental bodies would realize fiscal impact. Oversight will show fiscal impact to state and local governments as \$0

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<b><u>Income</u> to DOR</b>			
from 1% collection fee	Unknown	Unknown	Unknown
<b><u>Cost</u> to DOR</b>			
Personal Service (3.0 FTE )	(\$50,430)	(\$62,029)	(\$63,580)
Fringe Benefits	(\$16,808)	(\$20,674)	(\$21,191)
Equipment and Expense	<u>(\$68,409)</u>	<u>(\$6,459)</u>	<u>(\$6,653)</u>
<b>Estimated Net Effect to General Revenue Fund</b>	<b><u>(\$135,647) to Unknown</u></b>	<b><u>(\$89,162) to Unknown</u></b>	<b><u>(\$91,424) to Unknown</u></b>

\* Oversight assumes this proposal is permissive. Income and costs depend on three things, 1) if a Tourism Community Enhancement District, and if a sales tax for Tourism is approved; 2) if the Community Enhancement District Board would have the Department of Revenue collect the sales tax rather than local Collectors; and 3) if district boundaries are drawn along existing sales tax boundaries. Oversight assumes that the Economic Development sales tax would be collected by the DOR. Oversight is unable to determine if income from the 1% collection fee would be in an amount sufficient to defray DOR's cost of collection.

FISCAL IMPACT - Local Government

FY 2002  
(10 Mo.)

FY 2003

FY 2004

**ECONOMIC DEVELOPMENT  
 SALES TAX TRUST FUND**

**Income** to Certain Counties Economic  
 Development Fund  
 from Sales Tax (Section 67.1922)

Unknown

Unknown

Unknown

**Cost** to Certain Counties Economic  
 Development Fund  
 for promoting water quality, tourism, and  
 infrastructure.

(Unknown)

(Unknown)

(Unknown)

Total cost to Economic Development  
 Sales Tax Trust Fund

\$0

\$0

\$0

**TOURISM COMMUNITY  
 ENHANCEMENT DISTRICT SALES  
 TAX TRUST FUND**

**Income** to Local Government Tourism  
 Community Enhancement Fund  
 from sales tax (Section 67.1953)

Unknown

Unknown

Unknown

**Cost** to Local Government Tourism  
 Community Enhancement Fund  
 for promoting tourism and community  
 enhancement programs

(Unknown)

(Unknown)

(Unknown)

Total Cost to Tourism Community  
 Enhancement Sales Tax Trust Fund

\$0

\$0

\$0

**Total Estimated Net Effect to Local  
 Government Funds \***

\$0

\$0

\$0

**\*This proposal is permissive and requires voter approval before local governments would have fiscal impact.**

### FISCAL IMPACT - Small Business

Small business located within a Tourism Community Enhancement District or within a Tourism district that would receive voter approval to impose a sales tax would expect to be fiscally impacted to the extent that they would collect and pay the sales tax within those districts. This proposal is not mandated.

### DESCRIPTION

This act provides for the creation of Tourism Community Enhancement Districts by any county, city, town or village, having a population of less than one hundred thousand inhabitants. At least two percent of the registered voters of a county, city, town or village are required to have signed a petition. The petition is filed with the clerk and notice is provided for a public hearing prior to the governing body passing an order or ordinance creating a Tourism Community Enhancement District. (Section 67.1953)

Each Tourism Community Enhancement District will have a Board of Directors with no less than five members. The makeup of the Board shall be as follows:

- (1) One member appointed by the governing body of the largest city, town or village, at the inception of the district, within the district;
- (2) One member selected by the governing body of the second largest city, town or village, at the inception of the district, within the district, if such exists; or if no such city, town or village exists, one member selected by the governing body from any unincorporated area of such district;.
- (3) Two members shall be selected by the largest convention and visitor's bureau or similar organization at the inception of the district, within the district;
- (4) One member shall be selected by the destination marketing organization of the second largest city, town or village at the inception of the district, within the district. Any time the district is expanded, the board membership increases by two with the following requirements:

### DESCRIPTION (continued)

(1) One member shall be appointed by the governing body of the city, town or village containing the precincts added to the district or by the board for any unincorporated area:

(2) One member shall be appointed by the governing body of the city, town or village with the largest population at the inception of the district for the first expansion and every odd numbered expansion thereafter, or by the convention and visitor's bureau or similar entity of the largest city, town or village at the inception of the district, for the second expansion and every even numbered expansion thereafter. (Section 67.1956)

The board may submit up to an one percent sales tax to the voters within the district. The revenue received from the sales tax will be deposited in the Tourism Community Enhancement District Sales Tax Trust Fund which is administered by the Department of Revenue. Upon distribution by the Department of Revenue, the Board will allocate the revenue in the following manner:

(1) Ten percent will be disbursed to the school district or districts within the Tourism Community Enhancement District. This distribution will not affect the calculation of the funding formula for state aid contained in Chapter 163, RSMo.;

(2) Ten percent will be used for senior citizen or youth or community enhancement purposes within the district;

(3) Seventy-five percent will be used by the Board for marketing, advertising and promotion of tourism. Allows the Board to enter into agreement with not-for-profit organizations to develop a marketing plan for the district;

(4) Two percent will be distributed among the destination marketing organizations within the school district or districts within the district, according to the proportion of the sales tax collected in each school district or districts within the district;

(5) Two percent will be distributed to the not-for-profit organization for administering the marketing plan. (Section 67.1959)

All entities within the district that collect taxes pursuant to Sections 94.802 to 94.805, RSMo. (Branson hotel motel sales tax and restaurant tax) are allowed to reduce the amount that they are responsible for collecting for the Tourism Community Enhancement District sales tax by twenty-five percent of any taxes collected pursuant to Sections 94.802 to 94.805, RSMo. (Section 67.1962)

DESCRIPTION (continued)

WB:LR:OD (12/00)

The process for expanding a Tourism Community Enhancement District is explained in Section 67.1965.

The process for repealing the Tourism Community Enhancement District's sales tax and dissolution of the district are explained in Section 67.1968.

The governing body of the city with the largest population at inception of the district, is to act as trustee and oversee the dissolution of the district. Any remaining revenue of a dissolved district will be distributed to the school district or districts within the dissolved district.

This act authorizes Taney, Stone, Barry and Ozark counties to enact sales taxes to fund programs that affect Economic Development. Voters may approve up to a one and one-half percent sales tax. The money collected from the tax will be distributed equally among programs for water quality, infrastructure and tourism. When at least twenty percent of the voters who voted in the last gubernatorial election sign a petition requesting the repeal of the tax, the question for repealing the tax will be submitted to the voters.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
Department of Elementary and Secondary Education  
Department of Transportation  
Stone County Commission



Jeanne Jarrett, CPA  
Director  
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